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## Poland

## Sugar

# Polish Sugar Conglomerate Created 2001

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### Report Highlights:

**Legislation creating a Polish-owned sugar conglomerate has been approved in Poland. The new Sugar Market Regulation law creates a company which will control almost 60 percent of Polish sugar production. The new company is expected to support domestic beet production, higher prices, and allow Poland to compete with foreign producers.**

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Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Warsaw [PL1], PL

## **Executive Summary**

The new law on Sugar Market Regulation, which was being developed for several years, becomes effective on 13<sup>th</sup> August 2001. The law was finally approved on June 21 by the Polish Parliament and signed on July 13 by the President of Poland. According to supporters, the new law will more effectively regulate the Polish sugar market by better defining limits on domestic sugar production, prices and quotas. The law would also facilitate the formation of a new company, “Polska Spółka Cukrowa (PSC)”, Polish Sugar Holding Company (PSC). During the development of the law, there was some disagreement concerning the number of refineries which would be incorporated into the PSC. On the 17<sup>th</sup> of July, however, Ms Aldona Kamela-Sowinska, the Treasury Minister, confirmed that the PSC will consist of 44 refineries and, as a result, will control almost 60 percent of sugar produced and supplied in Poland.

## **Size of New Company**

The PSC will be created from companies which had not already been privatized at the time the law becomes effective. Currently there are 44 sugar companies owned by the State Treasury which have not been privatized with 32 having been provisionally sold (5 of them were sold in early July 2001). Sugar beet producers and sugar refinery workers are expected to control the majority of shares in the PSC. They will consist of 44 refineries including 16 refineries from Silesia Sugar holding previously sold to a French company. Due to the fact that the new law will become effective on 13<sup>th</sup> of August 2001. All 44 non-privatized companies will be incorporated into the PSC. As a result, the PSC will control almost 60 percent of Polish sugar production and supplies.

Polish farmers' unions with the support of Gabriel Janowski, chairman of Agricultural Committee and former Minister of Agriculture, advocated that all non-privatized refineries should be included in the PSC and that the State Treasury should keep control of any remaining shares that it holds in mills partly-owned by foreign investors. Unions claim that the 49 refineries possess 65 percent of production in Poland and that only a single large company can survive competitively.

## **Big is Not Always Better**

Government officials argue that there is neither the need nor the money available to support the modernization and operational costs of such a larger company. Economists have also expressed doubts noting that neither sugar beet producers nor refinery's workers will be willing to finance these costs either. The Office for the Consumer Rights have noted their opposition to the introduction of such a large player on the domestic market. Finally, there are both workers and farmers who support the privatization of those refineries which are about to be sold.

## **Battle for a Size of the PSC**

The Coordination Committee of PSC was formed under the leadership of Ms Janina Piekarcz (a sugar beet farmer from Silesia), consisting of representatives of all 49 refineries. The Committee has been formed under the leadership of Janowski's new rural party Przymierze dla Polski (Alliance/Covenant

for Poland). They stated that their goal is the transfer of all refinery shares from the State Treasurer into the hands of farmers and refinery workers. Although sugar beets have been planted for more than three months, the ownership status of processing companies is still far from being firmly determined.

Early July, 2001, despite opposition by Gabriel Janowski, the Treasury Ministry (MSP) sold five sugar refineries to German concern Pfeifer und Langen. The company purchased 51 percent shares of sugar refineries from the Kalisz and Konin region of Poznansko-Pomorska Sugar Holding for PLN 100 million (USD 26 million). The Treasury Ministry sold 95% of the shares of the 16 sugar refineries of Silesia Sugar Holding in November 2000 to Saint Louis Sucre for 250.5 million zlotys (USD 64 million). As of early July 2001, however, the status of the sale was still unclear. Since the new law becomes effective on August 13<sup>th</sup>, the sale to the French company will not be possible. As a result, the PSC will consist of 44 companies and will control almost 60 percent of the Polish sugar production and market supply. PSC supporters wanted to see 49 refineries to be included within the company.

### **New Law on Sugar Market Regulation**

On July 13, 2001, the President of Poland signed the New Law on Sugar Market Regulation. The new law more precisely defines conditions under which funds for sugar subsidies will be used and funds accrued to support these subsidies. Funds will be generated from sales of sugar. Some protectionist measures of the new law include: sugar, iso-glucose and inulin syrup production quotas, government intervention for sugar prices, basic sugar beet prices, minimum sugar beet prices (for quota A and B), tariff invention, and export and storage subsidies. Trade permits for sugar and other sub-products will now be required. The law implies that the import tariff be high enough to limit sugar imports thus insuring the domestic sugar price will not drop below the set minimum price. The New Law categorizes production quotas as A, B, or C:

A) Domestic use

B) Domestic use or subsidized export for sugar, for iso-glucose and for inulin syrup.

C) Sugar produced over quota A and B, iso-glucose C and inulin syrup C must be exported before the 31<sup>st</sup> of December after the current FY either as a raw product or products containing over 20 percent of white sugar equivalent.

The New Law will establish two new institutional bodies. The Special Agreement Commission for Sugar Matters is responsible for strengthening cooperation conditions between beet producers and refineries, a special Industry Agreement, and coordinating lobbying efforts regarding sugar policies. Also, a Mixed Commission will be required at every refinery and will oversee and verify the implementation of the new production quotas for all production contracts.

The New Law states, Polska Spolka Cukrowa (PSC), Polish Sugar Holding Company, upon creation, will be owned mainly by local farmers and sugar refinery workers.